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SUBJECT: SCENESETTER FOR GENERAL RICHARD MYERS, CHAIRMAN,
JOINT CHIEFS OF STAFF VISIT TO TURKEY: DOMESTIC AND
REGIONAL POLITICAL ISSUES, ECONOMIC SITUATION, AND SECURITY
ASSISTANCE

(U) Classified by Ambassador Pearson, reason 1.5b/d.

Summary

1. (S/NF) Your visit comes at a critical time in preparing for potential Iraqi operations. Site surveys began on 14 Jan 03. EUCOM/TGS military-to-military consultations reconvened on 3 and 13 Jan 03 respectively. Based on a 14 Jan 03 TGS request, a small CENTCOM/EUCOM planning team will soon arrive in Ankara to begin preplanning for land force operations with two US brigades. We have reported that the TGS and MFA are working to speed site preparation tasks by finding a way to approve these tasks without Parliamentary vote. Asked about possible Turkish support for a US-led Iraq operation, most Turks oppose. However, most Turkish observers feel Turkey will have to support its strategic partner, but fear war will have heavy economic consequences for Turkey and would split up Iraq or at least lead to instability. Your discussion with the CHOD can express appreciation for recent positive indicators as well as reinforce the need to make timely government decisions for Turkish commitment to support US military operations, if required. The Turkish political landscape has changed significantly as a result of national elections, but in ways that likely do not portend serious change in Turkey's commitment to our bilateral relationship. Market and public opinion have treated the sweeping AKP victory on 3 Nov 02 with guarded optimism, seeing it as an opportunity to overcome years of weak coalitions, entrenched party interests, and economic mismanagement. In terms of foreign policy, Turkey remains committed to broad strategic partnership with the US and other NATO allies, and remains a strong supporter in the Global War on Terror. Turkey is completing its well executed ISAF command, and is in multilateral talks to complete final agreements on leadership transition for ISAF III (combined German-Dutch effort). There is concern in Turkey about the 12 Dec 02 European Union summit membership decision, and the resultant delay for Turkish accession. Likewise, the certain EU accession offer to Cyprus causes great concern in Turkey, which sees itself as the guarantor of the Turkish-speaking population on Cyprus. We are continuing our effort to produce agreement in a fair settlement, but TGS reportedly has some security concerns. There have been positive developments on the economic front, especially in reducing the inflation rate and beginning to stimulate growth, but the economy remains weak and Turkey's huge debt burden is a source of great vulnerability. We are trying to reinforce with all our senior counterparts the need for Turkey to stick to its economic reform path. The combined economic weakness and potential military operations in Iraq have produced an expectation that the US will guarantee the survival of the Turkish economy and work to meet Turkey's perceived military modernization needs by providing a large assistance package. Your visit provides the opportunity to underline the breadth of our relationship, at the same time focusing on ways to resolve mutual concerns on several major operational challenges. End summary.

Political Overview - The Domestic Scene

2. (C) Ruling AK Party has been able to pass constitutional and legal changes to strengthen democracy and restore AK leader Erdogan's political rights (stripped by the courts in 1999 for his alleged criminal incitement of racial/religious enmity -- a move widely understood as a political effort to keep Erdogan on the sidelines) and allow him to become prime minister this spring. With a Parliamentary majority of 363 of 550 seats, AK is determined to press for fundamental and much-needed changes in the way political and economic life is conducted and ordered in Turkey. Under the formal leadership of PM Abdullah Gul, both a democratic reformer and devout

Muslim, the AK Government has made Turkey's EU membership bid and economic reform its top priorities. The new GOT is also insisting on democratizing changes designed to accord official respect not only to secularist elites, but also to more conservative and other heretofore "undesirable" elements (i.e., the religiously pious) long relegated to the political, social, and economic sidelines.

Political Overview -- The Regional Scene

13. (S) Several pillars of Turkish regional policy in recent years--close strategic ties to Israel, working relationships with the KDP and PUK in northern Iraq, and resistance to a breakthrough on Cyprus negotiations, have come under stress in the last twelve months. Continuing bloodshed in Israel and the Palestinian Authority has frayed the edges of the Israeli-Turkish strategic partnership somewhat, without forcing a fundamental shift of policy. Concern over increasing autonomy and institutionalization of Iraq's northern Kurdish forces led to very sharp exchanges between KDP leader Barzani and Turkish officials, and GOT relations with the KDP were tense, although Barzani's 3 Jan 03 visit here re-established cooperative tone to the relationship. Turkish relations with the PUK are relatively good. Anxiety over the prospective acceptance of Cyprus into the EU--with or without a settlement with Turkish Cypriots--had led to talk (now dropped) of Turkey's annexing northern Cyprus, a move which would create a serious divide not just with Greece and the Greek-controlled Cypriot government, but with the EU itself. The new UNSYG proposal for Cyprus, submitted to both sides on 11 Nov 02, calls for two states with one international identity; this has generated significant interest. We are continuing to work to produce a settlement, and many Turks tell us we have never been closer. The TGS can help get a deal if they are satisfied on security questions. Continuing conflict in northern Georgia is another source of regional concern, with both US and Russian military activities in or near Georgia dramatically increasing in the past year. Relationships with Iran and Syria, though generally less tense than during the 1990's due in large part to the decline of the PKK, remain cool; Turkish leaders are wary of Iranian attempts to undermine secular rule and Syrian positions on water rights, among other issues.

Iraq

14. (S) Site survey modus operandi was signed on 10 Jan 03, site survey teams arrived in Turkey and started site survey operations on 13 and 14 Jan 03 respectively. Recent EUCOM/CENTCOM meetings with TGS to conduct mil-to-mil planning consultations for Iraq operations have taken place on 3 and 13 Jan 03 respectively. Given we are just beginning site survey operations, progress continues to be made on many operational issues, with the significant exception of land forces operations. However, as a result of continuous political and military consultations, the TGS J3 told us on 14 Jan 03 that the CHOD Gen Ozkok had been authorized by Prime Minister Gul to have the TGS J3 receive a small (3-6 person) US planning team to come to Ankara to do &preplanning of land operations with two US brigades.8 TGS J3 emphasized that this must be an integrated operational planning effort by US land, US SOF, and Turkish land forces (Turkish forces deployed to prevent mass migration) that would operate in Northern Iraq. (EUCOM HQ is working this tasking, and we expect a CENTCOM/EUCOM team to arrive in Ankara soon.) Additionally, we received strong reporting on 14 Jan 03 that the TGS and MFA are working on a way to expedite site preparations that would not/not require Parliamentary approval.

15. (S) With respect to requests for coalition operations, there has been no change in TGS/GOT position that only US forces will be allowed in Turkey. In particular, TGS leadership reiterated during 14 Jan 03 mil-to-mil that UK forces (including air and SOF forces) would not be allowed in Turkey. Question was asked about UK over flight (thinking in terms of air support originating outside of Turkey) and received the same negative reply. UK MOD and permanent MOD Under-Secretary visit with TGS last week reportedly did not go well. Although UK MOD reportedly is in the process of formally requesting to begin bilateral UK/TU mil-to-mil consultations, our sense is that this request will not be approved anytime soon.

16. (S) Gen Ozkok leaned hard on compensation during his

Washington meetings in November 2002. He saw this as the key to selling full cooperation to the politicians, who will need to convince the people that cooperation will not harm Turkey's interests as much as non-cooperation. There have been several high level US/TU economic meetings to discuss size and structure of economic assistance, stressing that the purpose of any US assistance would be to get Turkey over an economic shock caused by any operation. With full Turkish support, that shock will hopefully be brief and take us into a situation with much brighter prospects for Turkey, including reconstruction contracts and increased trade with a friendlier administration in Baghdad, increased long-term tourism, and the prospect of lower oil costs. The Turkish government continues to negotiate for the largest possible economic support package available. You are likely to hear again from the CHOD on this issue.

17. (S) The MFA has outlined a key dilemma for the Turkish decision-makers. On the one hand, they agree with us that the best chance for avoiding war is to demonstrate coalition preparedness to disarm Saddam forcibly if he does not do it on his own. That argues for allowing US (and possibly other coalition) forces into Turkey to send a strong signal to the Baghdad regime. On the other hand, if this approach succeeds and Saddam's change of heart constitutes a change of regime and he is allowed to stay in power, Turkey foresees a possible sharp downturn in relations with Iraq as well as much of the Arab world.

18. (S) Nevertheless, at the end of the day, most Turks, official and ordinary, realize that Turkey really has no choice. Turkey will have to cooperate to some extent with the Americans) with or without another UNSCR. The alternative would not only put them on the other side of the fence from their key strategic partner, but they would also be surrendering US economic protection and protection of their red lines (no Kurdish state, no Kurdish funny business (seizing Kirkuk and Mosul), no refugees, no subjugation of the Turkmen, and no ability of the PKK to take advantage of the war) to foreigners. Turkey wants to work with the US to shape Iraq and the Middle East, and they realize that if you don't play the game, you don't make the rules. In the end, the GOT will have to use this nationalist argument to gain parliamentary approval for full support. The PM assured Amb Pearson that he and the AK Party leadership were not the problem. The PM told the Ambassador that he needed at least two more weeks to prove to his constituency that he had done all he could to stop the possibility of war. Once he could show that war was inevitable, he would be able to deliver support for the US. He claimed that on his recent Middle East trip he told his Arab interlocutors "if there is war, we should all join the coalition." The PM said he was "shocked" to read reports of US frustration and anger with Turkey, and explained that he needed time to persuade the Turkish Parliament to support the US requests.

Economic Overview

19. (C) Although 18 months of economic reform have laid much of the foundation for greater financial stability and growth, Turkey's enormous debt burden and structural weaknesses mean the economy remains extremely vulnerable. The incoming government has an opportunity to move Turkey away from the financial precipice on which it has been perched for the past two years, but to do so it must move quickly to bolster market confidence, support the battle against inflation, and implement further reforms needed to generate growth.

110. (C) Financial markets' initial reaction to the AK election victory has been extremely positive, with interest rates on treasury bills falling from 65 to 53 percent and the stock market picking up huge gains. This reaction is based on the market hope that (a) a one-party government will be able to move much more aggressively to implement reforms, and (b) AK means it when it says it will continue to work with the IMF to implement sound economic policies. This initial positive view has been fading, and the markets, IMF and we are seeking renewed implementation of reforms because there are signals AK is reverting to the old way of doing business.

111. (C) Turkey believes that we cannot divorce the security cooperation program from broader concepts of economic support/strategic alliance. The Turkish view is that modernization and related programs are not just business, but are critical investments in the common strategic interest. Turkish expectations about US economic support remain high. In addition to continued financing, many Turks expect the US to open its textile markets, direct more US investment to Turkey, and promote American tourism to Turkey. Through the

Economic Partnership Commission, we have offered Qualifying Industrial Zones (still needs congressional approval), and have been pressing hard for improvements in the investment environment. We also continue to stress our strong support for the Baku-Tbilisi-Ceyhan and Shah Deniz pipelines, key elements of the US-Turkish effort to promote an East-West energy corridor through Turkey. Turks worry that a US operation in Iraq would hurt their already-weak economy, particularly if it affects the summer tourism season, and will expect significant US economic support/compensation

112. (C) The consistent message that the U.S., EU, IMF, and World Bank are giving the AK government is: further economic assistance depends on your complete implementation of the economic reform program. The Turks face billions of dollars of debt service payments each month, and raising new debt to pay off this debt service depends completely on market confidence. Markets want to see the reforms continue. Thus, if AK doesn't follow through with reforms, no amount of aid from us, IMF, World Bank or EU will help the Turks escape the specter of a debt "event." The Turks received a recent scare with weak market demand for their 7 Jan 03 debt auctions, but continual reminder of full implementation of economic reforms is still needed.

FMF Debt Relief

113. (C) FMF debt relief (and re-initiating of an annual FMF program) remains a top TGS priority and TGS officials may raise the issue within the context of ways in which the USG can assist Turkey.

Security Assistance/Direct Commercial Sales

114. (C) Overview: The continued flux in the economic situation has severely affected the long-range acquisition of many of the major defense procurement priorities. Although there has been recent success regarding the AEW&C aircraft, the result on many programs is that timelines have been extended and decisions forestalled due to the negative political impact major arms acquisitions may present. Among the most important programs still in the balance is the ATAK helicopter sale.

115. (C) Boeing and AEW&C: On 4 Jun 02, Boeing and Turkey signed a USD 1 billion contract to provide Turkey four 737 Airborne Early Warning and Control aircraft. Boeing worked hard with SSM, the Government of Turkey's acquisition agency, to meet all contract provisos to achieve a 4 Dec 02 contract effectivity date; however, the lack of approval of certain contract provisos caused delay. TGS, the Undersecretariat of Defense Industries (SSM) and the TUAF are concerned about recent provisos that were placed on Boeing's export licenses. DSCA chief, Lt Gen Walters, got an earful from TAFC, TGS and SSM during his Nov 02 visit here and promised to get back to the Turks on how quickly the USG could decide on the provisos. We expect USG response on provisos by end of Jan 03. Meanwhile Boeing and SSM have extended the 4 Dec effectivity date to 4 Feb 03. US Electronic Systems Center, provided SSM a letter of offer and acceptance 9 Aug 02 for the \$27 million dollar government furnished equipment FMS case supporting Boeing's contract. ESC and SSM worked all LOA points until 10 Oct 02. SSM completed evaluation of the LOA and signed on 11 Nov 02.

116. (U) ATAK Helicopter: The ATAK Helicopter Modernization Program is currently TGS, #1 security assistance priority. In Oct 02 TGS expressed significant disenchantment with Bell Textron's pricing submissions. The pricing effort is considered high risk from Bell's perspective due to technology transfer, integration risk, Turkish work share, and local content (terms and conditions). SSM has requested a new revised price submission and has also started active price negotiations with a Kamov (Russia)/IAI (Israeli) consortium. During the week of 18-22 Nov 02, Lt Gen Walters from DSCA, Navy IPO, and Bell Helicopter presented TGS with two FMS and two DCS options for consideration. TGS, MND, and SSM continue to analyze these proposals. TGS J5 indicated in a 30 Dec 02 meeting that operational issues have precluded presentation of these proposals to TGS leadership.

117. (C) EX-IM Bank Helicopter Guarantee: Senior MFA and TGS officials have been disappointed with Congress' decision not to support an extension of the EX-IM loan program to enable

the Turkish Navy to purchase additional Sikorsky helicopters. Extending the program is one of TGS's highest priorities (after FMF debt forgiveness and reinstatement of FMF financing) and the Turks are still looking to the USG to deliver on its pledge to support an extension of the program as voiced at the High-Level Defense Group (HLDG) meeting in Istanbul (Apr 02). According to recent information, the EX-IM board will now vote on extending the loan program on 16 Jan 03, and we may have a positive resolution on this issue by the time you arrive.

118. (C) JSF: Turkey and SSM signed an MOU on the JSF program in Washington 11 Jul 02. The identification and accompanying official announcement of Turkey's JSF National Deputy to the JSF Program Office in the US will continue to facilitate Turkish participation in JSF program. If the subject comes up in the your meetings with TGS officials, we recommend that you congratulate Turkey on its decision to become a level-three partner and reiterate our commitment to working closely with Turkey over the years to develop this new stage of our strategic partnership.

119. (C) UAV: Unmanned Aerial Vehicle. SSM has received the responses to the initial request for proposal from both General Atomics Aviation Systems Incorporated (GA ASI) and Israeli Aviation Industries (IAI). These proposals are currently under evaluation and down-selection was initially expected to occur by the end of Nov 03. The actual selection process will not occur until early in 03. Export licensing and technology transfer for local content and work share opportunities are key variables in their selection process.

Closing

120. (U) We look forward to your visit, and would be glad to answer any other questions you might have after review of the issues.
PEARSON